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# R. J. Reynolds Tobacco Company

WINSTON-SALEM, N. C.

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# FINANCIAL STATEMENT

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DECEMBER 31, 1941.

Winston-Salem, N. C., January 15, 1942.

To the Stockholders of

R. J. REYNOLDS TOBACCO COMPANY:—

The Financial Report of your Company, at the close of business December 31, 1941, is hereby submitted.

| | | |
|---|---|---|
| Net profit from operations for the year 1941 (in which net sales were $323,020,113.32), after deducting all charges and expenses of management, advertising, etc. | $42,184,217.99 | |
| **ADD** | | |
| Interest and Dividends on investments | 98,779.84 | |
| Miscellaneous income, net | 55,131.25 | |
| Sundry items relating to prior years | 780,237.88 | $43,118,366.96 |
| **LESS** | | |
| Allowance for Depreciation, Obsolescence, etc. | 1,061,022.62 | |
| Interest paid | 325,478.51 | |
| Federal and State taxes on income | 18,492,479.05 | 19,878,980.18 |
| NET EARNINGS FOR YEAR | | 23,239,386.78 |
| **ADD** | | |
| Settlement of A.A.A. Processing Tax Claim and interest $2,968,099.18, less income taxes thereon $1,017,775.22 | | 1,950,323.96 |
| Undivided Profits December 31, 1940 | | 48,281,500.25 |
| | | 73,471,210.99 |
| **DEDUCT** | | |
| Four quarterly interim dividends of fifty cents each and one year-end dividend of ten cents per share | | 21,000,000.00 |
| Total Undivided Profits December 31, 1941 | | $52,471,210.99 |

# FINANCIAL STATEMENT
# DECEMBER 31, 1941.

## ASSETS

| | | | |
|---|---|---|---|
| **CURRENT** | | | |
| Cash | | $ 9,381,171.85 | |
| Accounts Receivable (net) for merchandise sold | | 7,366,440.89 | |
| Due from United States Treasury for Processing Tax Settlement | | 2,968,099.18 | |
| Leaf Tobacco, Supplies, Manufactured Product | $158,149,027.91 | | |
| Less Reserve for contingent carrying charges | 3,214,303.93 | 154,934,723.98 | $174,650,435.90 |
| **OTHER ASSETS** | | | |
| Real Estate, Buildings, Machinery, Fixtures | | 32,788,256.76 | |
| Deduct Depreciation, Obsolescence, etc. | $ 14,719,642.84 | | |
| Less fully depreciated property written off during year, etc. | 798,576.96 | 13,921,065.88 | |
| | | 18,867,190.88 | |
| Investments in Non-Competitive Companies, etc. | | 278,267.22 | |
| Bills and Notes Receivable | | 1,783,706.26 | |
| Other Accounts Receivable | | 1,043,387.26 | |
| Brands, Trade-Marks, Good Will | | 1.00 | |
| Prepaid Expenses | | 322,382.88 | |
| Retirement & Insurance Investment Fund* | $ 10,120,000.00 | | |
| Less Reserve accrued to December 31, 1941 | 6,795,671.99 | 3,324,328.01 | 25,619,263.51 |
| | | | $200,269,699.41 |

*Consisting of 200,000 shares of the Common Stock of the Company.

## LIABILITIES

| | | | |
|---|---|---|---|
| **CURRENT** | | | |
| Accounts Payable | | $ 3,180,707.46 | |
| Notes Payable | | 8,000,000.00 | |
| Serial Notes Payable 1942 | | 2,000,000.00 | |
| Accrued Taxes and other Accrued Accounts | | 20,617,780.96 | $ 33,798,488.42 |
| **DEFERRED** | | | |
| Serial Notes (1¾%) Payable 1943-1949 | | | 14,000,000.00 |
| **CAPITAL ACCOUNT** | | | |
| Common Stock—Par $10 | | | |
| Authorized 1,000,000 shares | | | |
| Issued 1,000,000 shares | | 10,000,000.00 | |
| New Class B Common Stock—Par $10 | | | |
| Authorized 13,000,000 shares | | | |
| Issued 9,000,000 shares | | 90,000,000.00 | |
| Undivided Profits | | 52,471,210.99 | 152,471,210.99 |
| | | | $200,269,699.41 |

F. S. HILL, Treasurer.

R. J. REYNOLDS TOBACCO COMPANY:

We have examined the financial statement of R. J. REYNOLDS TOBACCO COMPANY as at December 31, 1941, and the income and undivided profits account for the year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods, at times and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Inventories of Leaf Tobacco, Supplies and Manufactured Product are valued at cost as in former years. We were present when inventories were taken by the Company and checked procedures followed in determining quantities and valuation. The investments are carried at not above cost or market, whichever is lower.

In our opinion, the accompanying financial statement and related income and undivided profits account present fairly the position of the Company at December 31, 1941, and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST,
Certified Public Accountants.

January 14, 1942.